

**No. 3**

For State Civil Service Employees in the Executive Branch

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**Designed to be Reader and Printer Friendly**

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# WHAT IS CIVIL SERVICE?

The foundation for Hawaii's statewide civil service system was set in concrete in 1939 when the Territorial Legislature established a "territorial civil service" and created the Civil Service Commission, forerunner to the State Department of Human Resources Development (HRD).

## **Based in law**

The State and county human resource (HR) systems are based on "merit principles and scientific methods" governing the classification of positions and the employment, conduct, movement, and separation of public officers and employees.

The purpose of Chapter 76 in the Hawaii Revised Statutes, the establishing legislation for Hawaii's civil service, is to build a career service which would attract, select and retain the best of our citizens on merit, free from coercive political influences, and eliminate unnecessary and inefficient employees.

A formalized merit system dates back to England in the 1800s where citizens wanted a government service which was competent, fair, and free of political influence. This merit-based system was adopted by America in the mid-1800s. In the early 1900s the Territorial Legislature enabled Honolulu to establish a civil service system. In 1939, the Legislature broadened the coverage to the Territory and counties.

The current laws relating to "civil service" can be found in the (blue) set of Hawaii Revised Statutes, under Title 7, "Public Officers and Employees." Title 7 consists of 14 sections called Chapters listed in the box to the left. Each Chapter prescribes definitions, provisions and applications of civil service law.

The set of Statutes is available at the reference desk of every public library, the University of Hawaii libraries, and on-line at the Legislature's Web Site ([www.capitol.hawaii.gov](http://www.capitol.hawaii.gov)). If you are reviewing the HRS books at the library please ask the librarian about the 1998 annual legislative update.

## **Life Back Then... 1,300 Employees**

Nineteen thirty nine was an era when wire telegrams were the quickest means of sending information across the Pacific. Telephones in many Island homes were shared "party" lines. Television had yet to "modernize" Hawaii with the rest of America. If one needed to catch a plane to the mainland, it could likely be a propeller seaplane.

Hawaii then was quite different from what it is now. People were far less reliant on government, families helped each other out, and life in general was lived at a much slower pace. Consequently, there were fewer Territorial government services. The Territorial government employed 1,322 classified employees scattered among 40 or so small commissions or agencies. Public hospitals and staffing of nearly all public schools were with the county governments.

The State's workforce is now around 45,000 full-time employees of which 24,000 are in the civil service. Teachers, educational officers, University administrative staff and faculty make up most of the rest.

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The Territory, however, was seen as the largest and most stable generator of taxes. For consistency's sake, it could easily promulgate uniform policies affecting Kauai to the Big Island. So over the ensuing years, the Territorial Legislatures increased the structure and complexity of the Territorial (now State) government by assuming county responsibilities. The Territory and the counties shared, by design, very similar civil service systems. And even today, 60 years later, they remain strongly linked in areas including classification, pay, benefits, and collective bargaining.

### **Home-Rule or One System?**

The County-Territory relationship was probably the best political arrangement possible in the pre-statehood days because the counties were economically underdeveloped and lacked both the infrastructure and taxing power. This is not the case now.

Few State employees today know that the State and the four counties' civil service systems are closely bound together with the State's in order to make all systems compatible and uniform. In today's environment, this one-size-fits-all uniformity may impact a jurisdiction's ability to respond quickly to program needs.

One aspect of modernization is whether or not this linkage hinders the State from being more responsive to citizens and inhibits a more efficient or flexible HR system. HRD's Governance Team is reviewing this topic.

### **A Consumer-Oriented Society**

Our modern society has become far more dependent on government safeguards and programs for its health, safety, consumer protection and welfare. Now as consumers instead of self-reliant producers, citizens place greater demands on government oversight in many areas. The State is also mandated to provide for: statewide public educational and post-secondary education systems; a system of correctional facilities; centralized health and welfare services; airport and harbor facilities; and more.

Citizens are also demanding that the State become more efficient, responsive to emergent social needs, and less costly to operate. They also want lower taxes.

### **Meeting These Challenges**

The competency and commitment of our civil service workforce has kept the State pretty stable over the past 60 years. But changes now take years to implement because of inflexible human resource and other administrative statutes and rules. Cutbacks have reduced staffing while the already high work load increases.

Further, employees are frustrated because of the bureaucratic personnel and administrative red-tape. There is also a general culture that resists change. In short, the symptoms are that the 1939 civil service system is in need of a total overhaul.

### **Governor Cayetano's Call to Action**

The call for modernization is being led by Governor Ben Cayetano who has worked harder than any Hawaii governor to steer the State through exceptionally treacherous times. Cayetano recently told HRD Modernization Team members that in order to make meaningful reform of the civil service — not just cosmetic changes — they will have to examine every assumption or law not as another “given” but as an opportunity for im-

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provement. "Turn the system around and examine it carefully from the opposite perspective," the Governor said. "That's the way to make real improvement."

During the 1999 Legislature, House Bill 214 was poised to pass conference committee but a problem was uncovered in the bill, too late for correction. Although it was held back in the Conference Committee for action next year, it was historic for never before had such a sweeping proposal been crafted in concert by the legislature, administration and employee organizations. Such collaboration was symbolic of a new partnering effort undertaken by the unions, key legislators, and HRD to modernize a 60-year-old civil service system.

Despite HB 214 being held back, the spontaneous momentum sparked the Governor to continue work on changing the civil service system through his Executive Order 99-04. (The Governor's Executive Order is also posted in its entirety, [www.hawaii.gov/hrd/order.pdf](http://www.hawaii.gov/hrd/order.pdf))

## **Civil Service Chapters, as Found in the Hawaii Revised Statutes**

Chapter 76	Civil Service Law (State, Judiciary and Counties)
Chapter 77	Compensation
Chapter 78	Public Service
Chapter 79	Leaves of Absence
Chapter 80	Hours of Work
Chapter 81	In-Service Training Programs
Chapter 82	Incentive and Service Awards
Chapter 83	Temporary Intergovernmental Assignment
Chapter 84	Standards of Conduct
Chapter 85	Loyalty
Chapter 87	Public Employees Health Fund
Chapter 88	Pension and Retirement Systems
Chapter 89	Collective Barg. in Public Employment
Chapter 90	Utilization of Volunteer Services

## **GOVERNOR SIGNS MODERNIZATION EXECUTIVE ORDER**

By way of Executive Order to all State departments and agencies, Governor Benjamin Cayetano charged HRD Director Mike McCartney with the responsibility to "establish partnerships with all stakeholders, labor and management included; to collaboratively design and effectuate a process to modernize the civil service system," thereby placing modernization effort onto the front burner for all State departments as one of the administration's many priorities.

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On July 19, 1999, Governor Cayetano signed the Executive Order without public fanfare, underscoring HRD's progress thus far in building partnerships and levels of understanding among the many stakeholder groups involved.

The Governor set the time frame for the Modernization effort to "draft necessary replacement legislation for consideration by the State Legislature during its 2000 Regular Session," which will convene next January.

"Whereas, unlike successful organizations that focus on productivity and outcomes, our existing civil service system tends to focus on rules, job titles, regulations, and procedures and, too often, makes responding to the needs of the community an afterthought to the inflexible enforcement of bureaucratic requirements," the Governor wrote in the executive order.

In a bold break from two decades of union-management negotiation processes, the Governor tasked all to foster "collaboration" among all stakeholders in the modernization of the civil service and, "engage them in a process of interest based discussions, whereby all the stakeholders would be working together instead of working against each other."

## **Hawaii's Merit Principles**

The following are the principles of merit as enunciated in Chapter 76-1. Interestingly, the legislature made a policy decision to require that these principles apply to the personnel systems of the State, Judiciary, and all four counties.

- Equal opportunity for all regardless of race, sex, age, religion, color, ancestry or politics.
- Impartial selection of the ablest person for government service by means of competitive tests which are fair, objective, and practical;
- Just opportunity for competent employees to be promoted within the service;
- Reasonable job security for the competent employee, including the right of appeal from personnel actions;
- Systematic classification of all positions through adequate job evaluation; and
- Proper balance in employer-employee relations between the people as the employer and employees as the individual citizens, to achieve a well trained, productive, and happy working force.

**More Articles on Following Pages...**

# A Global Perspective **REVOLUTIONIZE** Public Service



*Joyce Tsunoda, PhD*

***Senior Vice President and Chancellor,  
University of Hawaii  
Special to the State Personnel News***

When one hears the term “government worker,” what stereotype comes immediately to mind?

The supposedly lazy, unmotivated worker. The fact that this stereotype is not even close to the reality of government service is, unfortunately, lost to many people who are not in government and do not see on a daily basis the hard working people we have in federal, state and county offices here in Hawaii.

My experience is that most government employees are very caring, dedicated people, who are motivated by the idea of providing for the community’s well being. However, they are often times frustrated by the bureaucracy they deal with.

**The Department of Human Resources Development is – in partnership with your unions, department heads, personnel officers and managers, key legislators, HR practitioners and the Governor – leading the way to modernize the civil service. I ask that you support this effort.**

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## A Global Perspective **REVOLUTIONIZE** Public Service

You might ask the question: **“Why change the civil service system?”**

I think the better question is: *“How can we best use this momentum to create a new HR system ready for the next century of change?”*

It’s hard for us to imagine today, but 100 years ago the word “bureaucracy” meant something positive. It meant a rational, efficient method of organization.

The assembly line brought logic and standardization to the factory, and so did bureaucracies do the same for government (and large businesses). With their hierarchical authority and functional specialization, they made possible the efficient undertaking of large complex tasks.

For a long time, the bureaucratic model worked because it solved the problems people wanted solved. It delivered the basic, no-frills, one-size-fits-all services people needed and expected during the industrial era. It was developed in an age of hierarchy when only those at the top had enough information to make informed decisions, in a society of people who worked primarily with their hands and not their minds — a relatively uneducated work force.

Because of these factors, centralized institutions were considered indispensable for the running of our country. There was plenty of time back then for information and requests to make their way up the hierarchical chain of command, for the decisions to be made by the top authorities, and for the directions and approvals to flow back down the system to eventually be carried out by the frontline workers.

Today, all that has been pretty much swept away. We live in an era of breathtaking change, in a global marketplace that puts enormous competitive pressure on our economic institutions.

We live in an information society in which people get access to information as fast as their leaders do. We live in a knowledge-based economy in which educated workers often bristle at commands by supervisors and demand more autonomy in their work and in the decision-making process. We live in an age which customers have become accustomed to high quality and extensive choices. The basic, one-size-fits-all services of government no longer satisfy people.

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## A Global Perspective **REVOLUTIONIZE Public Service**

In this new environment, bureaucratic institutions that were developed during the industrial era increasingly fail us. The changes that have taken place in government and society are so vast that the structures and regulations now become rigid and regressive.

What should be done to change the way government agencies are structured and how should the rules and regulations be changed to reflect the fundamental shifts in society as well as in the public sector work force?

I wish to refer to a study called “Doing Public Service Work: The Bureaucratic Experience in Hawaii” by Dr. Richard Pratt, director of the Public Administration Program at the University of Hawaii.

Dr. Pratt conducted many interviews with employees in local public service organizations to learn more about the patterns of satisfaction or unhappiness that exist. I found the interviews to be insightful, offering us a look at what may not be working in government today and what can possibly be done to improve those conditions.

Let me relate the feelings of one employee regarding hierarchical decision making:

“The supervisor very seldom releases anything than what you have to know. I have asked several times when I’m given a project if I could be told the big picture... Now (because we don’t have the big picture) we tend to do things over and over again. You’re told... to do this small portion of a project... and later you find out it’s not right. Sometimes you (re)do it three or four times. It’s just wasting time.”

While the rest of society has rushed headlong *away* from hierarchy, governments have pretty much *held tight* to the reins. Their message to employees has historically been: Follow orders. No need to use your heads, don’t think for yourself, don’t take independent action. And don’t take risks.

This message is enormously destructive. For decades it has eroded the enthusiasm and creativity in public employees, leaving them docile, frustrated and disillusioned.

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## A Global Perspective **REVOLUTIONIZE** Public Service

Here is a quote from a State employee on the “command and control” style of management:

“The norm (in my office) is not to take risks. Supervisors hover and are controlling and don’t want their people to take risks because they (the supervisors) are insecure. Rather than looking at the long run development of their (employees’) judgment, ...and how much more they are contributing to the team, they (the supervisors) slap them down for some little procedural slip-up. They take the life out of people, the creativity and the things people would get excited about in their work. It becomes such a control thing.”

In order to give control to those who work on the frontline, a variety of strategies can be used by managers.

- ONE.** We can use participatory management to decentralize decision making. Whenever managers entrust employees with important decisions, they signal their respect for those employees.
- TWO.** We can encourage teamwork to overcome the rigid barriers that separate people in hierarchical structures, and foster creativity and innovation on the job.
- THREE.** We can create institutional “champions” to support those within the organization who innovate. Whenever a highly centralized system undergoes fundamental changes, the movers and the shakers in favor of change must be supported because there can be great organizational resistance. And,
- FOUR.** We can invest in our employees to ensure that they have the skills and motivation to make the most of their new authority. Government must keep pace with the external world, assuring that our work force is trained to handle the technology that is rapidly changing the services our citizens are demanding.

In summary, today’s environment demands organizations that are extremely flexible and adaptable. Employees need a sense of purpose and responsibility.

The victim of change in the public service workplace will be the traditional American bureaucratic “command and control” style of management. Quality of service (value) may be the biggest competitive issue of the early 21st century.

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## A Global Perspective **REVOLUTIONIZE** Public Service

**I say the time is now to begin restructuring our public institutions to ensure creativity in our employees and excellence in our services.**

**Working at all branches of government, working at all levels of government, you can make a difference . . . a difference that will revolutionize public service.**

## Partnering, Creating Teams, and Seeking Employees' Input **Modernization Process, and Updates**

Many employees are asking about the process being used by HRD to modernize the civil service laws. The process can be simplified down to these stages:

- “input” by stakeholders including employees,
- “review and analyses” by stakeholders, and,
- “output” in the form of a Modernization Omnibus Bill in time for the 2000 Legislature.

HRD is now in the input stage with Town Meetings and other presentations going on. Many teams are also conducting research and some are beginning to review preliminary data.

### **Dialoguing with Stakeholders**

HRD is committed to the Governor's Modernization effort and has organized its limited staff into subject-area teams with voluntary representatives from unions and departments to conduct research, obtain input, and work on co-creating improvements. Team members will also work with their counterparts in other agencies, jurisdictions and stakeholders in the civil service community to build support for proposals.

Major consensus on working together was developed at the recent Civil Service Conference held in June. HR professionals, union leadership and staff, State managers, key House and Senate legislators, civil service commissioners statewide and county personnel officers attended. Numerous stakeholder meetings, in topic areas arranged by teams, have also been held before and after the June Conference. Much open dialogue and collaboration among unions, legislators and HR professionals on modernization issues have taken place so far.

### **Unions Partnering in Modernization**

It has been reassuring that the Hawaii Government Employees Association, United

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Public Workers, Hawaii Fire Fighters Association, and Public Employees Management Association of Hawaii are supportive of the modernization effort and are engaging in discussions. Union officers and staff members have been invited and are attending various team meetings and Town Meetings.

### **Talk is NOT Cheap**

To actively engage employees in the dialogue process and obtain their candid input, HRD established a Dialogue Team to reach out to employees and managers and obtain their "Top-Ten" concerns about the civil service system, or, ideas on how to modernize it. This will be done primarily through Town Meetings. Feedback forms will soon be posted on HRD's Modernization Web site as well. From employees' input, the Dialogue Team will feed employee groups' 10 prioritized concerns back to HRD's subject-area teams for their analyses in coming up with modernization proposals.

### **Employees' Input is Valued**

The reception towards Town Meetings has been really great. Department directors are fully supportive of allowing their employees to provide input on a voluntary basis at scheduled Town Meetings.

The Dialogue Team has held Town Meetings with employees in several departments including Human Services and HRD. Participation has always been greater than anticipated.

At a recent Town Meeting, the Dialogue Team learned of an employee who heard "through the grapevine" about a scheduled Modernization Town Meeting and caught the city bus several miles out to the meeting site to share her thoughts.

The Team has also held Town Meetings in Kapalama and Kapolei. The departments of Health and Labor have already conducted a series of Town Meetings. In addition, Accounting and General Services, and, Commerce and Consumer Affairs are enthusiastic about conducting Town Meetings shortly. Right now, the Dialogue Team is trying to schedule Town Meetings with employees of Land and Natural Resources, Taxation, Hawaiian Home Lands, and Education, among other departments.

### **What Happens Next?**

A 360-degree communication process will begin. Each Town Meeting's "Top-Ten" issues will be keyed into a proprietary HRD database and data will be made available to all the Teams. HRD will post consolidated data on the Modernization Web page. In addition, HRD Director Mike McCartney made a pledge to give every Town Meeting Group a "status report card" on how their department or group input has been addressed in the proposed legislation, rule, or policy change.

## ***Modernization Teams...an Exciting Mix***

HRD and its stakeholder-partners have established the following teams as of July 22, 1999. Modern-Day Merit, Governance, Classification, Recruitment and Examination, Statute vs Rule, Benefits, Entrepreneurial, Technology, Management Training, Labor Relations & Collective Bargaining, Pay for Performance, and Dialogue.

HRD's Internet Modernization Web page will be listing the teams and contact persons, as well as team activities and accomplishments up to July 22. ([www.state.hi.us/hrd](http://www.state.hi.us/hrd))

**More Articles on Following Pages...**

## ***Interested in a Town Meeting?***

HRD's thrust to modernize the State's civil service system requires the candid input from stakeholders and employees. The Dialogue Team's goal is to conduct series of Town Meetings in every department to obtain "Top-Ten" data. Participants will participate in a dynamic facilitated session which will air concerns then collaboratively refine them down to the "Top-Ten."

If your division employees (or several divisions) wish to find out more about department-specific Town Meetings (and how to arrange them) call the Dialogue Team at either 587-1162 or 587-1161 (24 hours).

## **Great New Tax Savings Benefit to be Offered**

State employees will soon be able to **F-L-E-X** their tax dollars further in a new program being developed by the Department of Human Resources Development. And it won't cost taxpayers a cent.

Finishing touches are being put on an exciting new benefit program for State employees that will be phased in beginning next year. **ISLAND FLEX**, the new Flexible Spending Accounts (FSAs) plan, will offer participating employees a way to pay certain expenses with before tax dollars, thereby increasing their spendable income.

Actually, **ISLAND FLEX** will offer two benefits. The first benefit will allow you to use up to \$2,400 annually of your "before tax" paycheck dollars to pay for things not covered under your health plan, like eye examinations, orthodontia, hearing aids, etc. Medical plan deductibles can also be paid using the benefits of **ISLAND FLEX**.

The second benefit will include dependent care coverage. This benefit allows participating employees to use up to \$5,000 annually of your "before tax" paycheck dollars to pay for things such as preschool/day care expenses or after-school programs, such as A+ (for children under age 13).

### **How Does ISLAND FLEX Work?**

When you elect to participate in **ISLAND FLEX**, you sign an agreement allowing your salary to be reduced each pay period and deposited into your FSAs. You determine the amount to be placed into each account, based on your needs.\*

Then, as you incur eligible expenses, you submit receipts to the plan administrator.

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Once approved, money will be withdrawn from your account(s) and a check will be issued to you.  
It's that simple!

### **Increase Your Spendable Income**

This is the real benefit of **ISLAND FLEX**. Because you use before tax dollars to pay eligible expenses, you enjoy more spendable income. This is best illustrated with the example below.

Let's assume Leilani's salary is \$2,000 per month. Her withholding for federal and state income taxes is based on married rates with 2 exemptions. Leilani currently pays \$50 per month for medical expenses out of her own pocket, plus \$400 per month for the cost of preschool. Here's a comparison of Leilani's current situation and the benefit she would see by participating in **ISLAND FLEX**.

Before participating in **ISLAND FLEX**, Leilani paid her medical and preschool expenses from her net pay after taxes. But, through the benefits provided by **ISLAND FLEX**, she can pay those same expenses with before tax dollars. This reduces her taxes, allowing her to enjoy an increase in spendable income of \$130 per month. (See calculations above chart: \$1,277.37 minus \$1,147.25) That's more than \$1,560 per year!

### **How Do You Get More Information?**

Since final details of the plan are still being worked out, your Departmental Personnel Office does not have any additional information at this time, so please don't call them. As more information becomes available, we will notify you through future newsletter articles.

Also, beginning next year, **ISLAND FLEX** workshops will be held throughout the state. In these workshops, you will be given complete information about the details of this fantastic plan. And, you will be given the opportunity to enroll in the plan at that time.

In the meantime, you should start keeping track of the medical expenses you pay out of your own pocket, and your expenses for dependent care. This way, you will know how much to contribute each month to **ISLAND FLEX**. This is an important decision, because you cannot change the amount of your monthly contribution for a year (there are a few, limited exceptions). To help you keep track of your balance, you will be sent quarterly statements of your FSA accounts.

The State has contracted with Comprehensive Financial Planning, Inc. (CFP) to administer **ISLAND FLEX** for the State. In conjunction with the new plan, CFP will be offering you the opportunity to take advantage of several free additional services provided. These services allow you to use your **ISLAND FLEX** benefits to the fullest and to project your retirement benefits. This can help you in making some of the most important financial decisions of your life. Look for more details soon in future newsletters regarding **ISLAND FLEX** and companion services for employees of the State of Hawaii.

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**BENEFIT OF FLEXIBLE SPENDING ACCOUNTS**  
**Hypothetical Example: Leilani Employee**

	<b>Currently</b>	<b>With FSAs</b>
Monthly Salary	\$2,000	\$2,000
FSA - Med. Reimbursement	\$0	\$56†
FSA - Dependent Care	\$0	\$400
Taxable Income	\$2,000	\$1,544
Federal Withholding	\$150.55	\$82.15
State Withholding	\$99.20	\$66.36
FICA	\$153.00	\$118.12
Net Pay	\$1,597.25	\$1,277.37
Medical Expenses	\$50	\$0
Dependent Care	\$400	\$0
<b>Spendable Income</b>	<b>\$1,147.25</b>	<b>\$1,277.37</b>

† Includes a \$6 monthly administrative fee